

ORIGINAL



0000072812

RECEIVED

195

1 FENNEMORE CRAIG, P.C.
2 A Professional Corporation
3 Jay L. Shapiro (No. 014650)
4 Patrick J. Black (No. 017141)
5 3003 North Central Avenue
6 Suite 2600
7 Phoenix, Arizona 85012
8 Telephone (602) 916-5000

2007 MAY 30 P 4: 35

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

MAY 30 2007

DOCKETED BY

KK

9 Attorneys for Northern Sunrise Water Company
10 and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

11 IN THE MATTER OF THE APPLICATION OF
12 NORTHERN SUNRISE WATER COMPANY FOR A
13 CERTIFICATE OF CONVENIENCE AND
14 NECESSITY TO PROVIDE WATER UTILITY
15 SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

16 IN THE MATTER OF THE APPLICATION OF
17 SOUTHERN SUNRISE WATER COMPANY FOR A
18 CERTIFICATE OF CONVENIENCE AND
19 NECESSITY TO PROVIDE WATER UTILITY
20 SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

21 IN THE MATTER OF THE JOINT APPLICATION
22 OF NORTHERN SUNRISE WATER COMPANY
23 AND SOUTHERN SUNRISE WATER COMPANY
24 FOR THE APPROVAL OF SALE AND TRANSFER
25 OF WATER UTILITY ASSETS, AND
26 CANCELLATION OF CERTIFICATES OF
CONVENIENCE AND NECESSITY, FOR
MIRACLE VALLEY WATER COMPANY,
COCHISE WATER COMPANY, HORSESHOE
RANCH WATER COMPANY, CRYSTAL WATER
COMPANY, MUSTANG WATER COMPANY,
CORONADO ESTATES WATER COMPANY, AND
SIERRA SUNSET WATER COMPANY, LOCATED
IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251
W-20454A-06-0251
W-01646A-06-0251
W-01868A-06-0251
W-02235A-06-0251
W-02316A-06-0251
W-02230A-06-0251
W-01629A-06-0251
W-02240A-06-0251

MOTION TO EXTEND TIME TO
COMPLY WITH DECISION NO.
68826

23 Northern Sunrise Water Company and Southern Sunrise Water Company ("Applicants")
24 hereby submit this Motion to Extend Time to Comply with Decision No. 68826 (June 29, 2006)
25 in the above-captioned matter.

1 **DISCUSSION**

2 Decision No. 68826 requires Applicants to complete certain improvements to water
3 systems purchased through bankruptcy proceedings for Miracle Valley Water Company, Cochise
4 Water Company, Horseshoe Ranch Water Company, Mustang Water Company, Coronado
5 Estates Water Company and Sierra Sunset Water Company ("McLain Systems") by August 25,
6 2007. Decision No. 68826 at Ordering Paragraph ¶ 21. A complete list of the McLain System
7 improvements is attached hereto as **Exhibit 1**. In addition, the Commission simultaneously
8 amended Decision No. 68667 (April 20, 2006) to allow Applicants to file a general rate
9 application using a calendar test year ending December 31, 2007. *Id.* at Ordering Paragraph
10 ¶ 10.

11 However, in the Decision, the Commission also concluded that "If there is good cause,
12 Northern Sunrise Water Company, Inc. and Southern Sunrise Water Company, Inc. may file a
13 request for extension of time to complete the referenced improvements. Any such requests for
14 extension of time shall detail the good cause and be submitted no later than June 30, 2007." *Id.* at
15 Ordering Paragraph ¶ 21. For good cause, Applicants respectfully request that the Commission
16 grant this motion to extend the deadline for completing the system improvements. In addition,
17 Applicants request that they be allowed to use a Test Year ending June 30, 2008 in the rate case
18 required under Decision No. 68826. Both requests are made as a result of delay in the McLain
19 bankruptcy proceedings.

20 **I. The Deadline to Complete System Improvements Should Be Extended to**
21 **February 19, 2008.**

22 As stated, Applicants are currently required to finalize the improvements listed in
23 **Exhibit 1** by August 25, 2007. This deadline was based on the optimistic expectation that the
24 McLain Systems bankruptcy proceedings would close within sixty (60) days of the Commission's
25 final decision. Applicants voluntarily agreed to complete the system improvements within twelve
26 (12) months of closing of the sale. *Id.* at ¶ 51. Unfortunately, this did not occur. The Bankruptcy

1 Court allowed additional time to newly identified debtor lien holders who were not properly
2 notified to respond, and added a few additional assets that were used in the McLain Systems that
3 were not originally part of the bankruptcy proceedings. As a result, the sale did not close until
4 February 19, 2007. Copies of the closing documents are attached as **Exhibit 2**. Because
5 Applicants could not commence the large capital projects until the transaction was finalized, there
6 is good cause to extend the deadline to complete the remainder of improvements listed in
7 **Exhibit 1**. Extending the deadline until February 19, 2008 is consistent with the original intent in
8 Decision No. 68826 to have the improvements completed within 12 months of the closing of the
9 sale of assets, as well as Ordering Paragraph ¶ 21, which anticipates this very application.

10 Applicants wish to emphasize that during the approximate six (6) month delay, company
11 personnel performed many repair and maintenance tasks in preparation of improving the McLain
12 Systems once the physical assets were acquired. Attached hereto as **Exhibit 3** is the affidavit of
13 Matthew Garlick, Regional Operations Manager of the Infrastructure Division of Algonquin
14 Water Resources, LLC, which contains a summary list of the pre-acquisition system maintenance
15 activity. In addition, Mr. Garlick provides a detailed explanation of Applicants' efforts to
16 improve the McLain Systems since the closing. Applicants believe that despite the delay caused
17 by the Bankruptcy Court proceedings, they have in good faith pursued system repair and
18 maintenance to the extent possible to ensure safe and reliable water service to their customers.
19 See Garlick Affidavit at ¶ 6-7.

20 **II. Applicants Should Be Allowed to File General Rate Applications by December 31,**
21 **2008, Employing a Test Year Ending June 30, 2008.**

22 Decision No. 68826 modified an earlier order of the Commission directed at the then-
23 existing water utilities, i.e., the McLain Systems and the Commission's prior contract operator—
24 ASUA. The modification allowed Applicants to employ a 2007 Test Year as part of rate
25 applications to be filed in 2008. A 2007 Test Year reflected Staff's recognition that, due to the
26 extensive repairs and necessary construction, a 2007 Test Year would better reflect the ongoing

1 level of investment and expenses than a 2006 Test Year, and result in rates that more accurately
2 reflect costs incurred by Applicants to improve the system. Decision No. 68826 at ¶ 83.

3 Applicants still intend to file rate applications by December 31, 2008. However,
4 Applicants wish to move forward in completing the system improvements with the tacit
5 understanding that the delay caused by the bankruptcy proceedings will not unduly prejudice
6 them in their respective rate applications. Because of the six month delay in transferring the
7 assets, the test year should be extended by approximately the same timeframe – to June 30, 2008
8 – to accurately reflect the level of investment and expenses, as outlined by Staff in supporting the
9 calendar 2007 Test Year. Applicants seek approval to use a test year ending June 30, 2008 in the
10 filing of rate applications on or before December 31, 2008.

11 CONCLUSION

12 Despite approximately six months of delay caused by the bankruptcy proceedings to close
13 the sale, Applicants continued to repair, operate and maintain the McLain Systems so that
14 customers would receive safe and reliable water. Once the sale transaction closed on
15 February 19, 2007, Applicants began addressing the more complex system improvements
16 identified in **Exhibit 1**. However, more time is required. Based on the circumstances of the
17 delay, Applicants assert that there is good cause to grant this motion. Finally, in order to make
18 matters consistent with the intent of the Decision No. 68826, Applicants should be allowed to
19 utilize a Test Year ending June 30, 2008, in order to capture as much capital investment in new
20 infrastructure and known and measurable operating expenses as possible.

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

1 RESPECTFULLY SUBMITTED THIS 30th day of May, 2007.

2 FENNEMORE CRAIG, P.C.

3
4 By: 

5 Jay L. Shapiro
6 Patrick J. Black
Suite 2600

7 3003 North Central Avenue
Phoenix, Arizona 85012

8 Attorneys for Northern Sunrise Water Company
9 and Southern Sunrise Water Company

10 **ORIGINAL and 33 copies filed**
11 this 30th day of May, 2007 to:

12 Docket Control
13 Arizona Corporation Commission
1200 West Washington Street
14 Phoenix, Arizona 85007

15 **Copy sent via e-mail and U.S. mail**
this 30th day of May, 2007 to:

16 Jane L. Rodda, ALJ
17 Hearing Division
18 Arizona Corporation Commission
400 W. Congress St.
19 Tucson, AZ 85701

20 **Copy hand delivered**
this 30th day of May, 2007 to:

21 Christopher Kempley, Chief Legal Counsel.
22 Legal Division
23 Arizona Corporation Commission
1200 W. Washington St.
24 Phoenix, AZ 85007

1 Linda Jaress, Executive Consultant
2 Utilities Division
3 Arizona Corporation Commission
4 1200 W. Washington St.
5 Phoenix, AZ 85007

6 *Marin San Jose*

7 1917094.1/20898.001

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

Exhibit 1

Cochise Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description		Cost		
Naranja Well Site				
Add meters to wells		\$10,000	ASAP after Closing	6-12 Months
Construct a minimum 6 ft. high chain link fence with barbed wire 800 L.F.		\$12,000	ASAP after Closing	6-12 Months
Construct 12 ft wide chain link gate		\$800	ASAP after Closing	6-12 Months
Repair 5 hp booster pump		\$500	ASAP after Closing	6-12 Months
Rebuild Electrical Control and wiring system		\$10,000	ASAP after Closing	6-12 Months
Replace Air Compressor and controls on Pressure Tank		\$1,000	ASAP after Closing	6-12 Months
Replace Guages on Booster and Transfer Pumps		\$500	ASAP after Closing	6-12 Months
Replace check valves on booster and transfer pumps		\$1,000	ASAP after Closing	6-12 Months
Build concrete pads to mount booster and transfer pumps		\$5,000	ASAP after Closing	6-12 Months
Install well pump high level shut off level controller to storage tank		\$5,000	ASAP after Closing	6-12 Months
Install low level sensor in storage tank for booster & transfer pump shut off		\$10,000	ASAP after Closing	6-12 Months
Install telemetry system to start and stop transfer pumps filling Horseshoe storage		\$500	ASAP after Closing	6-12 Months
Add sampling taps to wells		\$1,000	ASAP after Closing	6-12 Months
Survey property to establish property boundaries of well site		\$5,000	ASAP after Closing	6-12 Months
Remove old storage tank and trash and grade well site		\$63,300	ASAP after Closing	6-12 Months
Total				
Jaxell Road site				
Add Meter to well		\$3,500	ASAP after Closing	6-12 Months
Add additional booster pump		\$3,500	ASAP after Closing	6-12 Months
Survey property to establish property boundaries of well site		\$1,000	ASAP after Closing	6-12 Months
Total				

Horseshoe Ranch Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description	Cost			
Replace 3 inch meter measuring transfer flow from Cochise	\$3,000	ASAP after Closing	6-12 Months	Immediate
Replace fence with a minimum 6 ft. high chain link fence with barbed wire 200 L.F.	\$3,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	\$800	ASAP after Closing	6-12 Months	Immediate
Replace 2 - 7.5 hp booster pumps	\$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Replace 3,000 gallon pressure tank	\$13,000	ASAP after Closing	6-12 Months	Immediate
Design and construct interconnection with Bella Vista south system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Repair doors on storage building	\$1,000	ASAP after Closing	6-12 Months	Immediate
Add air relief valve to transmission line from Cochise and grade and secure site	\$6,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of storage & well sites	\$1,000	ASAP after Closing	6-12 Months	Immediate
Total	\$52,800			

Miracle Valley Water - Part of Southern Sunrise Proposed Capital Improvements		Project Start	Duration	Benefit to Customer
Project Description	Cost			
Add meter to well	\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.	\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate	\$800	ASAP after Closing	6-12 Months	Immediate
Add two 7.5 hp booster pumps	\$5,000	ASAP after Closing	6-12 Months	Immediate
Rebuild Electrical Control and wiring system	\$10,000	ASAP after Closing	6-12 Months	Immediate
Add storage tank Minimum 150,000 gallons	\$150,000	ASAP after Closing	6-12 Months	Immediate
Replace 5,000 gallon pressure tank	\$20,000	ASAP after Closing	6-12 Months	Immediate
Add sampling tap to well	\$500	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of two well sites	\$2,000	ASAP after Closing	6-12 Months	Immediate
Total	\$197,800			

Mustang Water - Part of Northern Sunrise Water Company Proposed Capital Improvements			Project Start	Duration	Benefit to Customer
Project Description		Cost			
Main Well Site					
Add meter to well		\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate		\$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well		\$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping		\$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system		\$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank		\$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)		\$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of at least two well sites		\$2,000	ASAP after Closing	6-12 Months	Immediate
Total		\$154,800			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well					

Crystal Water - Part of Northern Sunrise Water Company Proposed Capital Improvements			Project Start	Duration	Benefit to Customer
Project Description		Cost			
Main Well Site					
Add meter to well		\$3,500	ASAP after Closing	6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.		\$6,000	ASAP after Closing	6-12 Months	Immediate
Construct 12 ft wide chain link gate		\$800	ASAP after Closing	6-12 Months	Immediate
Replace existing well with new well		\$25,000	ASAP after Closing	6-12 Months	Immediate
Replace well pump & piping		\$7,500	ASAP after Closing	6-12 Months	Immediate
New Electrical Control and wiring system		\$10,000	ASAP after Closing	6-12 Months	Immediate
New 5,000 Gallon Pressure Tank		\$20,000	ASAP after Closing	6-12 Months	Immediate
New 60,000 gallon storage tank (At least this size)		\$80,000	ASAP after Closing	6-12 Months	Immediate
Survey property to establish property boundaries of well site		\$1,000	ASAP after Closing	6-12 Months	Immediate
Total		\$153,800			
Note: As an alternative, determine if existing well can be rehabilitated If so, rehab well, and replace well pump instead of drilling new well					

Coronado Estates Water - Part of Northern Sunrise Water Company			Project Start	Duration	Benefit to Customer
Proposed Capital Improvements					
Main Well Site					
Project Description					
Add meter to well				6-12 Months	Immediate
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.			\$3,500	ASAP after Closing	Immediate
Construct 12 ft wide chain link gate			\$6,000	ASAP after Closing	Immediate
Replace well pump & piping			\$800	ASAP after Closing	Immediate
New Electrical Control and wiring system			\$7,500	ASAP after Closing	Immediate
New 5,000 Gallon Pressure Tank			\$10,000	ASAP after Closing	Immediate
New 100,000 gallon storage tank (at least this size)			\$20,000	ASAP after Closing	Immediate
Survey property to establish property boundaries of well site			\$100,000	ASAP after Closing	Immediate
Total			\$143,800		

Sierra Sunset Water - Part of Northern Sunrise Water Company			Project Start	Duration	Benefit to Customer
Proposed Capital Improvements					
Main Well Site					
Project Description					
Construct a minimum 6 ft. high chain link fence with barbed wire 400 L.F.			\$6,000	ASAP after Closing	Immediate
Construct 12 ft wide chain link gate			\$800	ASAP after Closing	Immediate
Survey property to establish property boundaries of well site			\$1,000	ASAP after Closing	Immediate
Install customer meters to 30 customers			\$15,000	ASAP after Closing	Immediate
Total			\$22,800		

Exhibit 2

1 Michael M. Neal, Esq.
2 **LAW OFFICE OF MICHAEL M. NEAL, P.C.**
3 110 S. Church Avenue, Suite 4298
4 Tucson, Arizona 85701
5 Telephone: (520) 623-5686
6 Facsimile: (520) 623-5255
7 E-Mail: mmnealpc@qwest.net
8 State Bar No. 04331

9 and

10 Britt Hanson, Esq.
11 Office of the County Attorney
12 P.O. Box CA
13 Bisbee, AZ 85603
14 Telephone: (520) 432-8700
15 Facsimile: (520) 432-8778
16 E-mail: bhanson@co.cochise.az.us
17 State Bar No.: 012739

18 Co-Counsel for Cochise County

19 **IN THE UNITED STATES BANKRUPTCY COURT**
20 **FOR THE DISTRICT OF ARIZONA**

21 In re:

22 **JOHNNY A. MCLAIN and**
23 **LINDA M. MCLAIN,**
24 **husband and wife,**

25 Debtors.

Chapter 11 Proceeding

Case No. 4-03-bk-04125-EWH

**REPORT ON SALE OF
WATER COMPANIES**

26 Cochise County reports to the Court that on or about February 21, 2007, the Court
27 authorized and approved sale of water companies closed. Attached hereto is a true copy of the
Settlement Statement for the sale. The sales proceeds are being held by the escrow agent, Pioneer
Title Agency, subject to further Order of this Court. A sale of the Wireless System is expected
to Close in the near future. Upon that sale closing substantive assets of the estate will be

1 liquidated and the monies available for distribution under the confirmed Plan will be known. At
2 that time a distribution application will be filed.

3 RESPECTFULLY SUBMITTED this 28th day of February, 2007.

4 LAW OFFICE OF
5 MICHAEL M. NEAL, P.C.

6 By: /s/ Michael M. Neal
7 Michael M. Neal
8 Co-Counsel for Cochise County

8 Copy of the foregoing mailed this
9 28th day of February, 2007, to:

10 Office of the United States Trustee
11 230 N. First Ave., Ste. 204
12 Phoenix, AZ 85003-1706

13 Rob Charles, Esq.
14 Lewis and Roca, L.L.P.
15 1 S. Church Ave., #700
16 Tucson, AZ 85701-1611
17 Attorney for Buyer

18 Michael W. Baldwin, Esq.
19 Law Offices of Michael W. Baldwin
20 P.O. Box 35487
21 Tucson, AZ 85740-5487
22 Attorney for Debtors

23 Denise Faulk, Esq.
24 Arizona Attorney General's Office
25 1275 West Washington
26 Phoenix, AZ 85007
27 Attorney for Arizona Dept. of Revenue

Christopher C. Kempley
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Britt Hanson, Esq.
Deputy County Attorney
Office of the County Attorney
P.O. Box CA
Bisbee, AZ 85603
Attorney for Cochise County

A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SETTLEMENT STATEMENT

Pioneer Title Agency, Inc.
P.O. Box 1900
580 E. Wilcox Dr.
Sierra Vista, AZ 85636-1900

FINAL

B. TYPE OF LOAN		OMB # 12-0265
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> FMHA	3. <input type="checkbox"/> CO. NS.
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.	
6. ESCROW FILE NUMBER: 00515132-001 FMM		7. LOAN NUMBER:
8. MORTGAGE INSURANCE CASE NUMBER:		

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "P.O.C." were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. NAME OF BORROWER: NORTHERN SUNRISE WATER COMPANY, INC. and SOUTHERN SUNRISE WATER COMPANY, INC.

ADDRESS OF BORROWER: 2845 BRISTOL CIRCLE
OAKVILLE, ONTARIO CANADA L6H7H
E. NAME OF SELLER: JOHNNY A. MC LAIN and LINDA M. MC LAIN

This is to certify that this is a true
and correct copy of this instrument

Frank Millante

ADDRESS OF SELLER: 7110 E. JAXEL ROAD
HEREFORD, AZ 85615

F. NAME OF LENDER
ADDRESS OF LENDER:

G. PROPERTY LOCATION:
. AZ
Cochise SEE ATTACHED
SEE ATTACHED

H. SETTLEMENT AGENT: Pioneer Title Agency, Inc.
PLACE OF SETTLEMENT: P.O. Box 1900, 580 E. Wilcox Dr., Sierra Vista, AZ 85636-1900

I. SETTLEMENT DATE: 02/18/2007 PRORATION DATE: 02/18/2007 FUNDING DATE: 02/18/2007

J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. Gross Amount Due From Borrower:		400. Gross Amount Due To Seller:	
101. Contract Sales Price	896,752.14	401. Contract Sales Price	896,752.14
102. Personal Property		402. Personal Property	
103. Settlement charges to Borrower (line 1400)	1,030.00	403.	
104.		404.	
105.		405.	
Adjustments For Items Paid By Seller In Advance:		Adjustments For Items Paid By Seller In Advance:	
106. City/Town Taxes		406. City/Town Taxes	
107. County Taxes		407. County Taxes	
108. Assessments		408. Assessments	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
113.		413. FUNDS DEPOSITED FOR UCC SEARCH	250.00
114.		414.	
115.		415.	
120. Gross Amount Due from borrower:	897,782.14	420. Gross Amount Due to Seller	897,002.14
200. Amounts Paid by or in behalf of Borrower:		500. Reductions in Amount Due To Seller:	
201. Deposit or earnest money	200,000.00	501. Excess deposit (see instructions)	
202.		502. Settlement charges to Seller (line 1400)	694,149.00
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. FUNDS DEPOSITED 8/11/06	498,000.00	504. Payoff of first mortgage loan	
205. INTEREST EARNED ON FUNDS DEP.	8,478.99	505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments For Items Unpaid By Seller:		Adjustments For Items Unpaid By Seller:	
210. City/Town Taxes		510. City/Town Taxes	
211. County Taxes 01/01/07 - 02/18/07	2,799.14	511. County Taxes 01/01/07-02/18/07	2,799.14
212. Assessments		512. Assessments	
213.		513. \$ PD TO OBTAIN UCC SEARCHES	54.00
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower	710,278.13	520. Total Reductions in Amount Due Seller	697,002.14
300. Cash at Settlement from/to Borrower:		600. Cash at Settlement to/from Seller:	
301. Gross amount due from Borrower (line 120)	897,782.14	601. Gross amount due to Seller (line 420)	897,002.14
302. Less amount paid by/for Borrower (line 220)	710,278.13	602. Less reductions in amount due Seller (line 52)	697,002.14
303. Cash TO Borrower:	12,493.99	603. Cash TO Seller:	0.00

INITIALS: _____

INITIALS: _____

L SETTLEMENT CHARGES:

700. Total Sales/Broker's Commission:

Based on Price \$896,752.14 @ % = 0.00			
Division of Commission (line 700) follows:			
701. \$	0.00 to	Paid from Borrower's Funds at Settlement	Paid from Seller's Funds at Settlement
702. \$	0.00 to		
\$	0.00 to		
703. Commission paid at settlement:			
704.			

800. Items Payable in Connection With Loan:

801. Loan Origination Fee		
802. Loan Discount Fee		
803. Appraisal Fee		
804. Credit Report		
805. Lenders inspection Fee		
806. Mortgage Insurance Application Fee		
807. Assumption Fee		
808.		
809.		
810.		
811.		

900. Items Required By Lender To Be Paid In Advance:

901. Interest		
902. Mortgage Insurance Premium		
903. Hazard Insurance Premium		
904.		
905.		

1000. Reserves Deposited With Lender:

1001. Hazard Insurance		
1002. Mortgage Insurance		
1003. City Property Taxes		
1004. County Property Taxes		
1005. Annual Assessments		
1006.		
1007.		
1008. Aggregate Adjustment months @ \$	0.00	

1100. Title Charges:

1101. Settlement or closing fee to Pioneer Title Agency, Inc.	355.00	355.00
1102. Abstract or title search		
1103. Title examination		
1104. Title insurance binder		
1105. Document preparation		
1106. Notary Fees		
1107. Attorney's Fees		
(includes above item numbers:)		
1108. Title Insurance		
(includes above item numbers:)		
1109. Lender's Coverage		
1110. Owner's coverage \$ 350,000.00 to Pioneer Title Agency, Inc.		1,200.00
1111.		
1112.		
1113.		
1115. Courier-FED EXP TO/FR SELLER to Pioneer Title Agency, Inc.		50.00
1117. Addtl Wk Esc Fee 10 hrs @ \$75. to Pioneer Title Agency, Inc.	375.00	375.00
1118. Addtl Wk Title 10 hrs @ \$60. to Pioneer Title Agency, Inc.	300.00	300.00
1119. REC-DEEDS/HS ABAND/ORDERS to Pioneer Title Agency, Inc.		300.00

1200. Government Recording and Transfer Charges

1201. Recording Fees:		
1202. City/County tax/stamps		
1203. State tax/stamps		
1204. City Transfer Tax		
1205. County Transfer Tax		
1206.		
1207.		

1300. Additional Settlement Charges:

1301. Survey		
1302. Pest Inspection		
1303. 2004-2006 TX to COCHISE COUNTY TREASURER		82,612.19
1304. PROCEEDS REMAINING TO BE DETERMINED BY BK COURT		608,881.81
1305. DEED SIGNING FEE to STEWART TITLE & TRUST		75.00
1306.		

INITIALS: _____

INITIALS: _____

SCROW FILE NUMBER: 00516132-001 FMM

OMB No. 2402-0265

1307.

1400. Total Settlement Charges (Enter on line 103, Section J - and line 502, Section K)

1,030.00

85,149.00

INITIALS: _____

INITIALS: _____

Exhibit 3

1

2

3

5

8

2

7

26

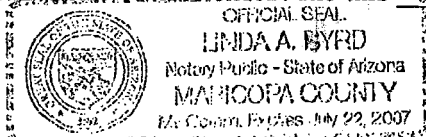
1 Cochise – Naranja well site was automated in April, 2007. We are currently completing the
2 altitude valve installation at the Horseshoe storage tank, scheduled to be finalized at the end of
3 May 2007. Northern Sunrise Water Company completed chlorinating its system in April 2007.
4 The same should be completed for Southern Sunrise Water Company by the end of June 2007.
5 Finally, the design and engineering for the Companies' entire systems are underway, and should
6 be complete within forty-five (45) days. Once approval by the Commission and the Arizona
7 Department of Environmental Quality is obtained, procurement of the necessary infrastructure
8 will begin.

9 7. It is my belief that the system improvements cannot be completed by August 25,
10 2007. Because of the delay in closing, I believe it is reasonable to extend the deadline for
11 completing the improvements to February 19, 2008 – twelve months after the closing.

12 

13 Matthew Garlick

14
15
16 SUBSCRIBED and sworn to before me this 30th day of May, 2007.



19 
20 Notary Public

21 My Commission Expires:

22 July 22, 2007
23
24
25
26

Affidavit of Matthew Garlick

Exhibit A

Northern and Southern Sunrise Up-Dates

October, 2006

- Hired four (4) new employees to staff Northern and Southern Sunrise Companies.
- Taken over billing and customer service activities.
- Purchased company four (4) vehicles (delivered October 27) and equipment needed for operations.
- Issued health and safety equipment for all employees. Begun health and safety training of new employees. Formal training to follow on November 3, 2006.
- Health and safety site inspection completed by our safety contractor. Complete.
- Clean and remove all hazardous debris from each site.
- Begun replacing distribution valves.
- Secured sites by changing out locks on all electrical panels.
- Begun evaluating operating equipment and repairing malfunctioning equipment (i.e. check valves).
- Begun locating and mapping water meters within the system.
- Field identification of distribution leaks and repairs as deemed necessary.
- Begun writing total coliform sampling, disinfection by-product (TTHM/HAA5) sampling plans for water systems to be submitted in three (3) weeks.
- Begun obtaining bids for chlorine equipment and engineering services for each well site.
- Identify all existing water utility sites for ownership and real property boundaries. As well as reviewing legal property descriptions.

- Held monthly update meeting meetings with ACC and ADEQ staff.

November, 2006

- Retained Westland Engineering firm as design engineer.
- Installed new flow meter and backflow valve at Mustang well site.
- Potholed to locate Mustang-Crystal interconnect.
- Potholed to locate water lines inside Crystal well site.
- Potholed to locate water lines at Cochise Naranja well site.
- Installed new flow meter and backflow valve at Cochise Well No. 1 and No. 3.
- Installed a new pressure tank (In-Kind) at Crystal well site. Re-routed the existing electrical control wiring and placed electrical in buried conduit (Removing electrical tripping and shock hazard).
- Installed several new gate valves in at Calle de la Fresa in Cochise.
- Installed new backflow valves on booster pumps at Horseshoe Ranch site.
- Installed new gate valves and backflow valves on pressure tank at Cochise Naranja well site.
- Installed new backflow valve on pressure tank at Cochise Jaxel well site.
- Miracle Valley flow meter ordered.
- Begun creating water system signs which will include the following, Well Site Name, Well Site PWS No., Water System I.D., and Emergency telephone contact information. These are currently being ordered.
- Health and Safety Immediately Dangerous to Life and Health (IDLH) issues are being addressed. (i.e. electrical hazards, etc.)
- Collecting flow data and power data from well sites on a daily basis.
- Begun deploying pressure sensors throughout the community. These will be utilized for engineering purposes.

- Begun reviewing current CC & N boundaries. Attempting to determine the extent of the CC & N for each utility.
- Working on identify non paying customers.
- Started building a customer waiting list for service.
- Begun writing Backflow Prevention Plan.
- Begun working on Water Curtailment Plan (Drought Management Plan).
- Begun reviewing Emergency Operations Plans.
- Franchise documents signed and sent for approval to Cochise County.
- Registered with Arizona Blue-stake.
- AWS had an open house for all Mclain water customers on November 15, 2006.
- Held monthly update meeting meetings with ACC and ADEQ staff.

December, 2006

- Repaired and located key valves through-out the system, especially in Cochise/Horseshoe water system.
- Identified and begun replacing non working water meters. The amount is estimated at 42.
- Signed off and approved to start chlorine installation engineering and equipment procurement.
- Begun on identifying operating assets against Cochise County property recorders. We identified that at least one and possibly two assets were missing in the bankruptcy closing documents (Mclain 5,000 pressure tank and well site, and possibility one more additional well site in Miracle Valley).
- Held monthly update meeting meetings with ACC and ADEQ staff.

January, 2007

- Replaced Sierra Sunset well pump and starter.

- Water line repairs due to cold weather outages. Insulated all of the well sites and booster stations.
- Completed the installation of flow meters to Cochise/Horseshoe, Crystal, Miracle Valley, and Mustang. Sierra Sunset has always had a flow meter.
- Completed chlorination engineering design for all systems other than Coronado which was previously chlorinated last year.
- Begun posting up-dates as to the status of the purchase of the Mclain systems. This was posted on the Algonquin Water Services, L.L.C. web site.
- Continued to repair or replace water meters. 10 of 42 have been completed to date.
- Held monthly update meeting meetings with ACC and ADEQ staff.
- Begun tracking on Lost and unaccounted for water.

February, 2007

- Replaced pump motor, column pipe, tube and shaft on the Coronado water system.
- Purchased of Mclain systems final February 19, 2007.
- Continued 23 of 42 water meter repairs or replacements.
- Continued to fix water line breaks as they occur.
- Started to install chlorine disinfection systems on all of the water systems starting with Sierra Sunset water system.
- Held monthly update meeting meetings with ACC and ADEQ staff.
- Started the design engineering for all of the systems.

March, 2007

- Held monthly update meeting meetings with ACC and ADEQ staff.
- Filed grant application to WIFA for matching engineering funds.

- Reviewed various site issues in regards to design engineering (i.e. the Naranja site has fence requirements).
- Continued installation of chlorine systems to Mustang and Crystal water utilities.
- Begun creating the Consumer Confidence Report required for the system for 2007.
- Confirmed that Horseshoe and Cochise and Crystal and Mustang Public Water System (PWS) identification numbers have been combined.
- Completed 42 of 42 water meter repairs or replacements.
- Repair and replacement of electrical equipment to Cochise/Horseshoe water system.
- Location of interconnection point between Jaxel and Cochise system. We have ordered up the valves and pressure sustaining valve so that the Cochise system can automatically feed water to the Jaxel system.
- Begun the water service line location and water meter installation project for Sierra Sunset.
- Deployed a new (800) number for Northern and Southern Sunrise water customers only. This was done to expedite the response time to complaints and to aid in speeding up response times to customer complaints.
- Started surveying all of the property boundaries.
- Submitted new bacterial plans and TTHM/HAA5 plans to ADEQ for approval. These are needed for the chlorine disinfection that is underway.
- Replaced failing booster pumps for Horseshoe storage and booster facility. We have pre-purchase a second pump a back-up. These pumps are critical for operations of the Horseshoe system.
- Filed sales transaction with ACC.

April , 2007

- Filed the Curtailment and Cross-Connection Tariffs with the ACC on April 4, 2007.

- Completed approximately 22 of a potential 30 water meter installations for Sierra Sunset.
- Completed deploying 22 radio meter read devices for Sierra Sunset.
- Completed the electrical well site repairs at the Naranja well site. The wells at the site now automatically feed the 160,000 pressure storage tank. When the tank levels drop they automatically turn on the wells to fill-up. This is the first phase of a two phase project. The second phase includes having an altitude valve being placed on the Horseshoe storage tank so that water will automatically transfer from the Naranja well site to the Horseshoe storage site (Sunnyvale). This is what caused the water outage last year. Once this is in place and as long as there is water, the altitude valve will automatically transfer water to the Horse tank.. Another benefit to this project is that there are six (6) customers are on the transfer line and have always had low water pressure. Once this tank has been completely automated (by adding two (2) pressure tanks) they will always have water.
- Evaluated storage tanks that may be moved from site to site. The 10,000 steel storage tank located at the Cochise site is not in good condition and can not be used for storage according the Westland Resources engineer.
- Held monthly update meeting meetings with ACC and ADEQ staff.

May, 2007

- Completed the Jaxel well site/ Cochise water interconnection. It is currently working well.
- Rapidly deploying our efforts to get storage to Coronado well site. We have begun observing declining water pressure in the morning and afternoon times due to demand out pacing water production. We anticipate this being done with the next 6 to 8 weeks.
- Continued to deploy chlorine to Miracle Valley as well as Cochise/Horseshoe.
- Begun pot-holing efforts in order to locate water lines in Sierra Sunset and also begin looking for a potential inter-connect that may exist between Sierra Sunset and Coronado water systems.